

Affordable Housing Implementation Guide

City of Bangor, Maine

February 2025



HR&A

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Introduction

Overview

This Affordable Housing Implementation Guide provides technical guidance for City of Bangor staff to align resources and plan for implementation of priority housing tools identified through a study of housing market needs and opportunities. HR&A developed this guide in coordination with City staff, and based on input from the Business & Economic Development Committee.

Housing Priorities

Bangor needs more housing for a diverse range of residents, including smaller households, first-time homebuyers, and seniors. Bangor's population is shrinking slightly, while also becoming older and higher income. As rents rise, low-income renters have fewer options and may leave or risk losing their homes. While moderate income households may also move away in pursuit of entry-level for-sale homes or higher quality rental homes. At the same time, Bangor has a large number of older properties in need of substantial repair to remain safely habitable. Producing more homes is not only critical to supporting Bangor's population, it is an essential economic development strategy, as employers struggle to find workers who live near enough to commute.

Within this context, Bangor is interested in identifying tools to increase its housing supply and meet the needs of its current and future residents. In particular, Bangor needs to:

- **Reduce market barriers to development for housing of all types**, particularly homes that serve moderate-income households, first-time homebuyers, and senior households. This may include:
 - Smaller homes (studios and 1 bedrooms)
 - Homes located in or near downtown
 - Homes for seniors
 - Homeownership opportunities for first time homebuyers and downsizers, including townhomes, particularly those that are affordable to moderate income (up to 120% AMI households)
 - Rental homes affordable to moderate income (up to 120% AMI) households
- **Dedicate public funding to subsidize the development of rental homes affordable to low-income households** (up to 60% AMI).

Housing Tools

Affordable housing tools fall into three main categories:

- **Land use and regulatory tools** use municipal regulations and zoning authority to indirectly improve affordability by increasing the supply of housing, or to directly incentivize or require the production of affordable units.
- **Subsidy tools** provide below market rate loans, grants, or other public resources to close the gap between what a household can afford to pay and the costs to develop and operate housing.
- **Tenants' rights tools** preserve existing affordable housing and housing stability by using laws and regulations that protect current occupants.

Each type of tool involves tradeoffs; land use and regulatory tools accommodate new growth and increase the housing supply, but typically do not serve the lowest-income residents. Subsidy tools can be deployed directly to meet the needs of target populations, but because of the cost most governments cannot provide enough subsidy

to solve affordable housing challenges. Tenants’ rights tools help to avoid displacement but do not change the fundamental economics of the housing market.

This implementation guide provides information for discussion and to advance three potential tools for Bangor:

Land Use Tools	<ul style="list-style-type: none">• By-Right Zoning: Continue to pursue zoning changes to make more development allowable by-right and encourage more housing construction.• Developer Attraction & Capacity Building: Develop programming and outreach to build developer capacity, streamline approval processes, and encourage investment in housing development and rehabilitation in Bangor.
Subsidy Tools	<ul style="list-style-type: none">• Local Funding & Competitive Processes: Dedicate local funds to support housing development. Deploy funds through a competitive, transparent process to meet housing needs.• Financial Incentives for Housing Development: Provide incentives for developments that provide moderately-priced homes or subsidized affordable homes.

Summary of Work

The City of Bangor (“the City” engaged HR&A Advisors, Inc. to produce a study of housing needs and barriers to housing affordability and production in Bangor. HR&A conducted a market scan and needs assessment, engaged with developers as well as local advisory groups and service providers, and produced a summary of housing and demographic trends, affordability challenges, and the housing types most in demand to meet the needs of Bangor’s residents. We presented the findings of this work to the Business & Economic Development (BED) committee of the City Council, and facilitated discussion about preliminary recommendations to increase housing production and affordability. Based on this discussion, we developed this implementation guide, in collaboration with City staff, to provide relevant information, context, and milestones for the design and implementation of key recommendations. HR&A and City staff held a work session in October 2024 to discuss a working draft of this implementation guide prior to the production of a final draft.

HR&A Advisors, Inc. (HR&A) helps create more equitable, resilient, and dynamic communities. Our work turns vision into action through rigorous analysis, strategy development, and implementation planning. We have provided strategic advisory services for some of the most complex mixed-use, neighborhood, downtown, campus, and regional development projects across North America and abroad for over forty years. Our affordable housing practice is a national leader in the development of market-responsive affordable housing plans and design of programs and policies to advance local affordable housing goals.

By-Right Zoning

Continue to pursue zoning changes to make more housing development allowable by-right and encourage more housing construction.

Background

Importance

Land use tools set the regulatory environment in which developers make investment decisions and influence housing affordability by impacting the amount, type, location, and cost of new development.

Restrictive zoning can limit housing development if it will not allow developers to build enough housing to make a return on their investment. Reducing lot sizes, increasing flexibility of residential uses, and making other changes can accommodate more homes on the same property (or reduce development time and uncertainty to pursue rezoning). Proactively defining and communicating the City's development priorities, aligning land use regulations with desired housing production, and using development approval processes to encourage desired development can make development more feasible and help the City encourage more residential development of all types, including priority housing types.

Current Status

In recent years, Bangor has enacted land use policy changes to make it easier to build diverse housing types. The City reviews development proposals promptly, reducing developer risk and uncertainty.

2019	Allowed Accessory Dwelling Units (ADUs)
2020	Reduced lot sizes and setbacks in some residential zones
2022	Reduced parking requirements and allow more uses including tiny home parks and boarding houses
2023	Allowed Permanent Supportive Housing (PSH), multifamily, and mixed-use development by-right (PSH) in more zones Revised manufactured home park language to comply with State law
2024	Enacted short term rental regulations Created allowance for co-living dormitories Reduced restrictions on ADUs

The City recently began a land use planning process which will proceed through 2025. This process provides an ideal opportunity to evaluate existing zoning and land use practices, identify areas where additional density or housing diversity may be appropriate, and engage in conversations with the community about the City's need to plan for and accommodate growth, both as an essential part of reducing affordability challenges and to support economic development.

State Context and Best Practices

Understanding how other governments have approached zoning as a tool for increasing housing development can help to inform a strategy for Bangor.

Density Bonuses and Maine's LD 2003

As part of statewide efforts to increase the supply of housing, Maine's LD 2003 calls for the establishment of housing production goals and sets requirements for zoning restrictions that allow accessory dwelling units (ADUs) and other "missing middle" housing types. LD 2003 commits State financial and technical assistance for municipalities to support local and regional production targets. In addition, the law creates an **automatic density bonus** for new multifamily developments that provide affordable housing units. The density bonus requires municipalities to allow 2.5 times the current allowable density of homes in growth areas for developments where most units meet affordability requirements, and caps off-street parking requirements at two spaces for every three units. It applies to both for-sale and rental homes built in zones that allow multifamily housing. The density bonus went into effect July 1, 2023, so the impacts of the program are not yet known.

Expanding Housing Choices, Durham, NC

New housing construction in Durham has fallen short of population growth since 2010. As the city and county continue to grow, demand for housing has increased, and caused prices to jump. The amount of developable land left is limited, and the market has already forced many people to the surrounding counties because they cannot afford or find the type of housing they want. To help stabilize housing prices and reduce economic displacement in Durham, the city and county approved the "Expanding Housing Choices" initiative to allow for higher density within the Urban Tier neighborhoods of Durham in September 2019.

The initiative proposed changes to the zoning code to allow for duplexes to be developed on single-family lots and for the creation of small-lot options. Prior to this change, missing middle housing could only be developed in 8% of the county by right. Additionally, the initiative **intends to align duplexes and attached single-family homes with detached single-family design standards. The "Expanding Housing Choices" effort also includes a developer density bonus**, enabling developers to increase the size of projects in exchange for allotting homes for lower-income residents.

As of November 2022, 407 EHC-enabled projects have been submitted to the county for approval, and the county has issued 372 building permits.



Lessons for Bangor

Bangor already has in place many of the regulatory changes that can support increased housing development, and increased development of affordable and moderately-priced homes. As part of its land use planning process the City should evaluate the types of housing development local and state regulations are likely to produce and ensure that these align with housing priorities. Bangor may also identify further regulatory changes that can make housing development more feasible in more parts of the city.

Implementation Needs

Policy Design

Zoning Changes

Make zoning code more flexible or permissive to reduce market barriers to housing development, particularly for priority housing types. Changes that could have impact for Bangor include:

- Reduce **minimum lot sizes** (particularly outside urban developed zoning areas)
- Make **attached single-family homes** (townhomes) and duplexes allowable by-right in all districts where detached single-family homes are allowed by right
- Explore the feasibility of providing **density bonuses** beyond those created by LD 2003 in exchange for production of more units that meet development priorities, such as middle-income homes

Implementation Capacity

Responsibility and Resources

City Planning staff will oversee the zoning changes, working with City Council and the Planning Board to review and approve text amendments as required by City law. Zoning changes will require minimal funding beyond typical staff costs.

Outreach and Support

The City anticipates convening community discussions as part of its land use planning process, which will provide an important opportunity to understand the communities concerns and priorities and build support for increasing housing development through zoning and land use changes. The City can use these community conversations to educate community members about the links between zoning, development, and affordability.

Moving forward, new proposals for infill development may require neighborhood meetings which can help to connect individual projects to broader community priorities and avoid public pushback to proposed development.

Implementation Plan

Within 1 Year

Through the City's Land Use Planning process, identify appropriate changes to zoning and land use process with the goal of increasing the density and diversity of housing in Bangor.

Begin holding neighborhood pre-meetings as needed to discuss proposed infill developments.

Within 1-2 Years

Adopt land use changes as recommended in the Land Use Plan.

Ongoing

Track and report on metrics of success

Anticipated Impacts

Impacts

Increasing the flexibility of zoning to increase development feasibility and encourage more development should **help the City to meet its housing**

production targets and deliver priority housing types, though it will not produce housing for Bangor’s lower-income residents. It will be part of a broader effort to **establish Bangor as a desirable place for developers to invest within the region.**

Whereas the predominance of single-family zoning through much of the century was in part a tool for creating residential segregation, **increasing the diversity of housing types available helps to foster inclusionary neighborhoods.**

Metrics for Success

The City should track metrics related to the impacts of zoning and land use changes, including:

- Number of new development projects, and number of housing units, permitted and delivered each year
 - Breakdown of unit permitting and delivery by type (single family, townhome, duplex, etc.), bedroom count, and income served
 - Percentage of housing developments and new homes permitted by-right
 - Typical approval time for permits, rezonings, and other project approval processes
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Developer Attraction & Capacity Building

Develop programming and outreach to build developer capacity, streamline approvals processes and encourage investment in housing development and rehabilitation in Bangor.

Background

Importance

To encourage investment in new housing, the City needs to build relationships of trust with developers and help a range of developers do business in Bangor, including larger developers of affordable and market-rate housing active in the region and small local developers and property investors. Because Bangor has low rents relative to other regional housing markets, but comparable costs, developers may choose to build outside of Bangor. However, developers are more likely to pursue new projects when they feel confident that they will receive approvals promptly. Bangor can help to increase developers' confidence both by clearly articulating its housing priorities and commitment to supporting development, and by actively building relationships of trust with local and regional developers.

Small developers may be interested in building new homes in Bangor but wary of risk or in need of help to understand zoning regulations or approvals processes. This could include property owners interested in developing income-generating properties or homes for sale, as well as homeowners interested in building Accessory Dwelling Units. The City can provide technical assistance to help these smaller investors through the process and connect them to available resources.

Providing outreach, assistance and other support can reduce developer risk and encourage new development.

Current Status

The City has a staff liaison to work with developers on project approvals, but outreach activities are limited and the City does not engage in proactive relationship-building or capacity building. Developers who have worked in Bangor have indicated that approvals are timely. The City offers or is in the process of developing several programs which could be particularly impactful when paired with proactive outreach, including:

- The City offers **development pre-meetings** with multiple City agencies for developers to receive input on development plans in early stages and identify any regulatory challenges. This enables the City to be transparent and build trust with the development community.
- The City is in the process of reviewing proposals to create a library **of pre-approved building plans** to reduce development costs and approval times for infill housing developments. This could be particularly impactful for small developers and property owners interested in building missing-middle housing (such as townhomes and duplexes) or Accessory Dwelling Units.
- The City's **Vacant Properties Program** provides a process for the City to acquire vacant and tax-delinquent properties and sell them to developers who will rehabilitate them and put them back into productive use. This program increases housing supply and quality and creates tax revenue for the City.

Best Practices

Understanding how other local and county governments have approached developer outreach can help to inform a strategy for Bangor.

Emerging Developers Accelerator Program, Columbus, OH

The Affordable Housing Trust for Columbus & Franklin County operates an Emerging Developers Accelerator Program (EDAP) focused on addressing dual goals of increasing affordable housing construction and helping groups who have historically faced barriers access pathways to development careers. The program provides technical assistance, access to affordable capital, and ongoing consulting to minority and women developers. Participants receive cohort-based training on all aspects of affordable housing development. Following successful completion of the program they can apply for loans from the Affordable Housing Trust and receive ongoing consulting from industry experts. To date the program has graduated three cohorts of developers.

Vacants 2 Value, Baltimore, MD

In 2010 the City of Baltimore launched the Vacants 2 Value initiative with the goal of raising property values, attracting new residents and businesses, and increasing local tax revenue. At the time of the program's launch, Baltimore had over 16,000 known vacant properties and a declining population. The Vacants 2 Value program helped the City gain control over vacant properties so that they could be given to buyers who would rehabilitate them.

The program first targeted neighborhoods with existing assets, such as local businesses or institutions, to enhance the feasibility of development. It promotes infill development and renovation of existing structures in several ways: the program has helped streamline the disposition of City-owned properties and used the City's code enforcement process to promote rehabilitation without court action in stronger neighborhoods; the program also connects potential homebuyers with rehabbed homes to buy or vacant properties to rehabilitate, and provides properties to large and small private developers and nonprofit developers through a competitive bid process.

Since the program has seen some success, the City has dedicated additional funding to the program and complementary blight removal programs. With this funding, they provide subsidies to incentivize residents to become homeowners. The Vacants to Value Booster Program provides up to 10,000 towards closing costs to homeowners that purchase previously vacant homes. The program has seen success in many neighborhoods, and as of late 2018 Baltimore has rehabilitated 4,200 vacant buildings and demolished more than 2,700.

Permit-Ready ADU Program, Encinitas, CA

To encourage the construction of Accessory Dwelling Units (ADUs), the City of Encinitas, California offers a range of services to reduce barriers to the development of ADUs. The City's website provides a selection of pre-approved building plans with customizable options that fit the community's character, as well as an expedited permit process and reduced fees. Through a competitive process, the City selected two local architects to develop criteria and create a selection of designs and plans for the PRADU program, including a studio, a one-bedroom, a two-bedroom, and a three-bedroom option. These plans are available for download from the City's website, along with a checklist, permit application, and other relevant documents. The program was launched in 2019 to support the City's goal of supporting diverse housing options throughout Encinitas. Whereas in 2012, the City was permitting fewer than 10 ADUs per year, in 2019 the City issued over 150 permits for ADUs.

Lessons for Bangor

A developer outreach program will be most impactful if it can be paired with resources, such as discounted land, expedited approvals, priority for the purchase of vacant properties, low-cost financing, pre-approved designs for homeowners interested in building ADUs, or fee waivers for participating developers. However, by clearly communicating its priorities for housing development, its interest in working with developers to advance those priorities, and its development processes, the City may be able to attract more developers within the region and build a stronger pipeline of new housing development. Connecting homeowners and small local developers with technical assistance and informational materials can likewise make it easier for property owners to deliver new homes in Bangor.

Implementation Needs

Program Design

Transparency and Information	<p>Create clear lines of communication with the City's staff liaison, and increase access to information.</p> <ul style="list-style-type: none">• Post the staff liaison's name and contact information on the City's website, clearly labeled as the point of contact for any questions, on pages related to development approvals, permits, zoning, etc.• Provide informational guides that can help developers and property owners at various levels of sophistication. At a minimum this would likely include:<ul style="list-style-type: none">• A guide focused on communicating the City's priorities, processes, and interest in building relationships with larger developers within the region. It should include a policy statement outlining the City's commitment to increasing housing production and noting priority housing development types, as well as available resources for developers from the City, the State, and other partners.• Technical assistance guides for smaller developers including a fact sheet of the City's residential zoning regulations and development approvals process, FAQs, etc.• Informational materials for property owners interested in building Accessory Dwelling Units (ADUs), such information about what ADUs are and the building process. This could also include a list of pre-screened and recommended architects and builders familiar with the County's regulations and practices
Trust and Relationship Building	<p>Build trust and relationships between City staff (particularly the staff liaison) and the development community, including for-profit and nonprofit developers as well as small, private investors.</p> <ul style="list-style-type: none">• Host quarterly open houses or regular office hours for anyone interested in housing development (including homeowners interested in building Accessory Dwelling Units, small developers, and larger regional developers) to learn about the City's permitting and approvals processes and ask questions. These could have a brief informational

presentation on a rotating topic followed by open time for questions and discussion.

- Use outreach activities to identify what types of support would be most helpful to developers, what challenges developers face, and opportunities to collaborate to meet the City's housing production objectives.

Connection to Resources

The impacts of developer outreach will likely be higher if the City can connect developers to resources such as low-cost land, expedited approvals, fee waivers, a pipeline of qualified homebuyers, or financial subsidy. The City should consider the near term and longer term ways in which it could connect developers to resources, such as:

- Creating a **known developer program** with expedited deal review or other incentives for developers who are familiar with the City's processes and develop priority housing types.
- Prioritize developers who commit to selling homes to income-qualified homebuyers (e.g. households with income up to 120% of Area Median Income) for the purchase of homes through the City's **Vacant Properties program**.
- Leveraging **nonprofit partnerships**, such as by connecting builders of new moderately-priced homes for ownership to down payment assistance programs as a way to identify ready homebuyers.
- Providing **design guidance or low-cost loans for the development of ADUs**. ADUs that receive loans for development should be used as affordable rental homes for the term of the loan.

Implementation Capacity

Responsibility and Resources

City Planning staff already provide developer liaison functions and should lead the development of new programming and informational materials. In the near term this effort should only require staff costs. Over time the City should evaluate the effectiveness and capacity of the program and determine where additional resources or capacity may be needed.

Outreach and Support

This effort will likely not require substantial public outreach or communication. In addition to gaining support and collaboration from developers, the City should identify nonprofit partners who could help identify homebuyers or renters for new developments of any scale.

Implementation Plan

Within 1-2 Years

Establish developer liaison as a public-facing role with contact information posted on the City's website and other communication channels clearly established. Begin hosting quarterly open houses.

Create a preliminary list of informational guides or materials to be produced and identify priority guides for drafting. **Draft and release at least two informational guides:** one which communicates the City's priorities, processes, and available resources to larger regional developers; and one which focuses on providing technical assistance and information to small developers.

Within 3-5 Years

Continue outreach activities.

Identify City and State resources, nonprofit resources, and external partnerships that can increase the impacts and effectiveness of the City's developer outreach. Dedicate new resources (such as funding) or pursue new partnerships as needed.

Through engagement with developers, identify policy changes, additional informational resources, and other changes which might help increase the production of housing in Bangor.

Track and report on metrics of success

Anticipated Impacts

Impacts

Increasing capacity for smaller developers and attracting more regional developers to the Bangor market should **help the City to meet its housing production targets** and deliver priority housing types, though it will not produce housing for Bangor's lower-income residents. It will be part of a broader effort to **establish Bangor as a desirable place for developers to invest within the region.**

Metrics for Success

The City should track metrics related to the impacts of developer outreach, including:

- Number of new development projects, and number of housing units, permitted and delivered each year
 - Breakdown of unit permitting and delivery by type (single family, townhome, duplex, etc.), bedroom count, and income served
 - Typical approval time for permits, rezonings, and other project approval processes
 - Number and percent of units permitted by developers new to Bangor
 - Number of developers with projects in Bangor's development pipeline
-

Local Funding & Competitive Processes

Dedicate local funds to support housing development. Deploy funds through a competitive, transparent process to meet housing needs.

Background

Importance

Public subsidy is a critical tool to close the gap between market costs and what residents in Bangor can afford. While land use is an important part of a comprehensive approach to meeting housing needs in Bangor, regulatory changes alone will not overcome market barriers to housing supply in Bangor, or meet the needs of Bangor's low-income residents.

Dedicating local funding for housing will help Bangor ensure that funding is available to address local priorities. Federal entitlement funds such as HOME and CDBG come with strict rules and regulations about how money can be used. For example, the added compliance costs that come with HOME and CDBG make it expensive and impractical to use those funds for the construction of smaller projects such as single-family homes and small rental developments. The City can continue to use its federal entitlement funds where they will have the greatest impact, but will need to allocate local resources and leverage other public, nonprofit, and private funding to subsidize new housing development. Dedicating funds over multiple years can help build predictability and give developers time to align their pipeline of projects with funding availability, whereas relying on one-time funds can support the feasibility of an individual project but is not likely to grow the development pipeline.

Establishing a competitive process to deploy local funding will ensure that the City is evaluating all potential projects with consistent metrics of financial performance, development quality, and alignment with priorities. The City can deploy funds efficiently and proactively through a NOFA or other competitive process that sets clear priorities for the use of funds.

Current Status

The City uses federal entitlement funds such as CDBG to fund housing programs, including down payment and closing cost assistance, heat pump and weatherization rebates, and loans to housing providers to make property repairs. The City used a majority of its ARPA funds for housing development including permanent supportive housing. MaineHousing is the primary provider of financing for new affordable housing development and preservation. The State's Affordable Housing Tax Increment Financing (AHTIF) program provides local governments in Maine with flexible funds to support investments in affordable housing.

Best Practices

Understanding how other local and county governments have approached local funding for housing can help to inform a strategy for Bangor.

Funds for Affordable Housing Development, Portland, ME

The City of Portland has created several tools to provide gap funding for affordable housing developments.

- **Jill C. Duson Housing Trust Fund** Portland's Housing Trust Fund focuses on providing funds to developments that create housing affordable to households up to 120% of the Area Median Income, with a priority focus on public/private partnership developments that create workforce housing, which the fund defines as homes affordable to households earning between 60% and 100% of Area Median Income. The 2023 Annual Plan indicated available funds of approximately \$8.09 million. Funding sources for the HTF include allocations of Portland's ARPA funding, as well as deposits from the City's housing replacement ordinance, in-lieu fees, and other allocations.

Affordable Housing Tax Increment Financing (AHTIF) Program Portland is taking advantage of [MaineHousing's new AHTIF program](#) which provides a flexible tool for municipalities to provide financing for affordable housing.

Fairfax Housing Blueprint, Fairfax County, VA

In January 2010, Fairfax County adopted the Housing Blueprint policy, which establishes a fund made up of an annual contribution of the County's real estate tax revenue. Loans made from this fund are known as "Blueprint Loans." The Housing Blueprint has four goals:

- Address the challenges of homelessness;
- To provide affordable housing options to special needs population;
- Meet the affordable housing needs of low income working families;
- To Increase workforce housing through creative partnerships and public policy.

Fairfax's Blueprint funds provide gap financing leverage with other private and public debt and equity sources, encouraging innovative approaches to meet underwriting goals. Applicants can apply up to a maximum funding amount, with certain eligible activities and income targeting for projects. The fund provides loans at a two percent interest rate.

In FY25, available funding for affordable housing projects totaled over \$42 million, an increase of about \$10 million from previous years. Awards are determined by the Fairfax County Redevelopment and Housing Authority, a separate political body from Fairfax County Government of 11 commissioners appointed by the Fairfax County Board of Supervisors.

Implementation Needs

Program Design

Dedicate Local Funding

The City needs to determine a supportable level of local funding it can dedicate to subsidize new affordable housing development and a source for that funding. Funding could come from allocations of general funds, an affordable housing bond, proceeds from the sale of publicly-owned land, or other locally-controlled sources. The City should plan for a recurring commitment over multiple years in order to support multiple developments over time and provide some predictability of funding to allow developers to plan for new projects. Actual allocations could start at a lower volume during a pilot period and increase over time.

To determine an appropriate and impactful allocation target, the City could conduct some discussions with developers to understand the typical funding gap per affordable housing development, existing financing gaps for projects currently in the pipeline, and a feasible volume of projects per year. These conversations could occur through the developer outreach program.

If the City determines that an affordable housing bond or other voter-approved measure is the best approach to dedicating local funding for new housing development, City staff and Council should make a clear case to voters about the importance of dedicating local funding, the types of projects local funding could support, and the anticipated impacts of local funding.

The City should also evaluate the feasibility of applying for the creation of an Affordable Housing Tax Increment Financing District with MaineHousing. Considerations will include the suitable size and location of the district based on current and future land use and development trends.

Deploy Local Funding

The City should clearly communicate its priorities for the use of local funding and establish a standard process to review and approve funding requests. This could either be a competitive process (such as a Notice of Funding Availability or NOFA which the City could release annually with a set window for applications and award decisions) or through a developer-responsive process (this process could still use a NOFA, however applications would be accepted and award decisions made on a rolling basis based on established criteria until each year's funds are fully allocated). At a minimum, the City should release a policy statement outlining its housing priorities and intention to commit funding and other support to developers helping to advance those priorities, with contact information for the staff liaison.

The City can create a scoring matrix to evaluate proposed affordable housing developments through either a competitive or non-competitive process. Scoring criteria should reflect several categories related to both the strength of the project overall and its alignment with local priorities for affordable housing development. Parameters for scoring may include:

- **Overall project strength** and its likelihood of being developed. This may include the track record and financial solvency of the development team; the status of other proposed capital sources (note that in some cases City funds may be needed to make the project score well for another funding source such as a LIHTC award); whether the project has site control; and overall cost per unit.
- **Financial terms for the City** including the total request for City funds and the City's cost per unit; proposed interest rates and repayment terms; and the amount of other funding leveraged with the City's investment.
- **Alignment with City goals for affordable housing** such as the total number of affordable units, the weighted affordability of the project or production of more units at deeper levels of affordability, and the location of the project.

The City could also use new funding sources to increase funding for its **Vacant Properties Program**.

Implementation Capacity

Responsibility and Resources

City housing staff and should work with the **City Manager and City Council** through the City's typical budget processes to **identify available funding sources** and a suitable level of funding. To ensure predictability, the City should make an effort to establish a recurring stream of funding, or dedicate funds for affordable housing through a multi-year affordable housing bond.

If the City decides to establish an **Affordable Housing Tax Increment Financing (AHTIF) District**, staff must apply to MaineHousing for approval, and City Council must pass an order or resolution approving the AHTIF district.

City staff would review applications and score them, meet with developers of high-scoring projects to negotiate terms, and present recommended projects to Council for funding approval.

The administration of a competitive housing subsidy program will require **ongoing capacity from the City** to review proposed developments and make recommendations about funding awards, and to monitor development and performance of projects that have been awarded funds.

Outreach and Support

City staff should work with City Council and the public to clarify the goals and priority uses of local funds for housing, to identify a supportable funding amount, and to build consensus around the need for local funding.

Implementation Plan

Within 1 Year

Evaluate sources of local funding for scale and feasibility, with the goal of identifying a supportable level of public funding for housing development over a five year period.

Identify and pursue State funding opportunities that can help Bangor increase housing development locally.

Within 2-3 Years

Allocate funds through City budget or other process.

Develop a competitive process to deploy funds.

Begin awarding funds.

Use local funding to leverage additional State or Federal funding as appropriate.

Within 3 to 5 Years

Continue awarding funds and pursuing State funds to increase housing development.

Track and report on metrics of success.

Based on initial successes, **determine whether additional allocations of local funding may be appropriate.**

Anticipated Impacts

Impacts	<p>Providing targeted funds to make affordable housing development financially feasible is one of the most potentially impactful ways the City can directly support the development of new affordable homes. Depending on the scale of funding and scoring criteria, the City can increase the production of affordable homes for rental or ownership, aligned with its other goals for development.</p>
Metrics for Success	<p>The County should track metrics related to the impacts of its local funding, including:</p> <ul style="list-style-type: none"> • Number of homes developed with funding from the City, total and by income level, each year • Average City funding per home • Amount of investment from other sources (private, state, federal) leveraged with public subsidy

Financial Incentives for Housing Development

Provide incentives to increase the feasibility of developments that provide moderately-priced or subsidized affordable homes.

Background

Importance

Public subsidy is a critical tool to close the gap between market costs and what residents in Bangor can afford. While land use is an important part of a comprehensive approach to meeting housing needs in Bangor, regulatory changes alone will not overcome market barriers to housing supply in Bangor, or produce housing at prices below what the top of the market will support.

Particularly when market barriers limit new development, **governments can often incentivize new development by paying for required infrastructure such as roads and utilities to make projects feasible.** In addition, financial incentives, such as waivers or rebates of development and permit fees, can reduce development costs for preferred development types. Limiting or deferring development fees can encourage the development of qualifying projects, such as those that include affordable housing units or those in high-opportunity areas, by helping to reduce the costs per unit. These incentives will not close large financial gaps, but they can help to encourage the types of development that Bangor is most interested in supporting.

Current Status

Market barriers to housing development are a problem throughout Maine, and the City of Bangor cannot overcome them without assistance from the State. The City provides financial incentives for housing development on a case-by-case basis, typically by providing publicly-owned land suitable for housing development and by making infrastructure investments. Land and infrastructure are powerful incentives which the City can deploy as available. However, the City's capacity to continue to provide land for development may be limited. The State's Housing Opportunity Program provides resources including technical assistance and funding to cities to support efforts to increase housing development. Bangor has actively worked to take advantage of available funding. The State is exploring additional ways to work with local governments to make infrastructure investments that increase housing development.

The City collects fees for new construction and renovation, demolition, permits, and other aspects of the development process.

State Context & Best Practices

Understanding how other local and county governments have approached fee waivers and other incentives can help to inform a strategy for Bangor.

Maine Housing Opportunity Program

To support implementation of LD 2003, Maine created the **Housing Opportunity Program** within its Department of Economic and Community Development. The Housing Opportunity Program has launched three sources of funding for municipalities and their service providers to implement LD2003:

- **Municipal payments:** up to \$10,000 to each eligible municipality to assist with LD 2003 related expenses, including legal fees, public meeting costs, and staff and volunteer time. As of December 2023, 50 municipalities received funding. *As of September 2024, the Department had not set a deadline for applying for municipal finding, meaning applications are accepted on an ongoing basis.*
- **Service provider grants:** grants to service providers to assist municipalities with programs increasing housing development. The Department received 13 applications and awarded funding to all service providers totaling over \$800,000. Awardees included regional councils, nonprofit entities, and for-profit entities, and awarded projects included educational forums, feasibility studies, form-based code toolkits for municipalities to consider, comprehensive plan guidance, and GIS mapping services. *This application has closed*
- **Municipal grants:** assists municipalities with community housing planning and implementation projects. *This application has closed.*

The State will continue to develop programs to support implementation of LD2003 in the coming months with remaining funding.

Inclusionary Housing Study, Lincoln Institute of Land Policy

A [Lincoln Institute on Land Policy 2015 study](#) on inclusionary housing found that approximately 40% of jurisdictions offer fee waivers as developer incentives, and others allow fee deferrals and reductions. The study notes that the most effective waivers should be available through administrative approvals

Impact Fee Waivers, Polk County, FL

Polk County waives and reduces impact fees for newly developed for-sale and rental units provided to low income households. Developers pay full impact fees up front when applying for a permit, but fees are reimbursed as housing units are occupied by low-income households. The County sets a maximum waver cap of \$250,000 per year across the County, to limit the program's impact on the budget.

Inducing Development in Philadelphia, PA

Philadelphia's tax incentive policy is designed to induce development of for-sale and rental housing by applying a significant 10-year tax incentive to a market with relatively weak conditions and the fourth-highest construction costs in the country. As a result, development has increased by 367% since the incentive took effect in 2000, while suburban areas without the incentive saw only an 11% increase in building activity. A report by JLL found that every \$1 in tax revenue foregone results in \$2 of net revenue through the resulting effects of the policy.

Lessons for Bangor

Financial incentives for development can support economic growth both by increasing development activity and by ensuring that Bangor has enough housing for its workforce. Building infrastructure within Bangor's growth boundary to support infill development can therefore meet the City's housing and economic development goals. Local funding tools such as TIF as well as State grants can provide sources of funding for these investments.

Establishing a partnership with the State can maximize opportunities for LD2003 implementation assistance that is directly aligned with Bangor’s needs. Bangor can continue to monitor funding opportunities and identify and communicate the City’s unique funding or technical assistance needs. The City can and should actively engage with the State to identify opportunities to use available state funding to increase housing development through direct incentives, infrastructure investment, property acquisition, and other approaches. Fee waivers for priority development types also have significant potential to increase development activity in a more targeted way.

Implementation Needs

Program Design

Identify funding sources and uses for funds for infrastructure	<p>City staff should engage with State funders to shape and take advantage of State programs that can incentivize housing development. This could include identifying projects in Bangor that could use Housing Opportunity Program (HOP) funds to incentivize housing development, as well as prioritizing projects that increase housing development for State infrastructure funding decisions.</p> <p>In addition, if the City pursues creation of an Affordable Housing Tax Increment Financing district, the City can use TIF funds to pay for critical infrastructure to make housing development feasible.</p> <p>Through its developer attraction and outreach activities, the City should identify infrastructure investments such as roads, utilities, community facilities, stormwater management, and other improvements that would both directly and indirectly enhance the feasibility of housing development, and prioritize investments that directly incentivize and lead to housing development.</p>
Determine Available Incentives & Criteria for Qualification	<p>If the City is interested in providing financial incentives such as fee waivers to encourage housing development, particularly for projects that align with areas of highest need, the City should conduct analysis and budgeting to determine the level of fee waivers, reductions, or referrals (or other incentives) it can offer to developers, and financial analysis to understand the extent to which these waivers may be able to impact the type or amount of housing development that is feasible. It should set clear requirements for which developments will be eligible, based on income served but also potentially on the development type and location. <i>(Note that if the City opts to use development fees for housing as a source of dedicated local funding for housing development, it should not pursue fee waivers as an additional development incentive.)</i></p> <p>The City should focus on using waivers or other incentives to encourage the development of moderately-priced homes (homes for renters or homeowners that will be set at prices affordable to households up to 120% of the Area Median Income), but should make incentives available to developments that serve households below this income as well.</p>

Implementation Capacity

Responsibility and Resources	<p>City housing staff and City planning staff should coordinate discussions with State funders and developers about ways to effectively leverage State funds to incentivize housing development.</p> <p>If applicable, City housing staff and should work with the City Manager and City Council to identify a suitable approach to fee waivers . For example,</p>
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	the City could offer waivers through administrative approvals based on pre-approved project parameters.
Outreach and Support	The City should make a clear case to the public that incentives for housing development are a critical economic development tool, because they will help Bangor provide adequate workforce housing to attract and retain jobs.
Implementation Plan	
Within 1 Year	<p>Begin discussions with State funders about how to effectively use available State funding programs to increase housing development in Bangor.</p> <p>Develop a list of possible infrastructure improvements that would directly or indirectly incentivize housing development, such as by enabling development on a particular site or set of sites (e.g. stormwater improvements).</p>
Within 2 to 3 Years	<p>Evaluate the financial, legal, and political feasibility of providing fee waivers or similar incentives for priority housing development types. If feasible, conduct financial analysis and developer engagement to evaluate the appropriate level of incentives.</p> <p>Continue to pursue State funding for priority infrastructure investments, and to work with developers to identify priority infrastructure investments, sites for acquisition, or other opportunities to incentivize housing development.</p> <p>Track metrics of success.</p>
Anticipated Impacts	
Impacts	Providing incentives to make moderately-priced housing development financially feasible is one of the most potentially impactful ways the City can directly support the development of new homes. Depending on the scale of funding and scoring criteria, the City can increase the production of affordable homes for rental or ownership , aligned with its other goals for development.
Metrics for Success	<p>The County should track metrics related to the impacts of incentives waivers, including:</p> <ul style="list-style-type: none"> • Number of homes developed with public incentives, total and by income level, each year • Average cost of public incentives per home • Amount of investment from other sources (private, state, federal) leveraged